

**BURNER EXPLORATION LTD.****NOTICE OF  
ANNUAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual Meeting of the shareholders of Burner Exploration Ltd. (the "Corporation") will be held in the Main Boardroom of Code Hunter Wittmann, Barristers & Solicitors, 1400, 700 - 2nd Street, S.W., Calgary, Alberta, on Thursday, May 25, 1995 at 3:00 p.m. (Calgary time) for the following purposes:

1. To receive and consider the financial statements of the Corporation for the fiscal year ended December 31, 1994 and the auditors' report thereon.
2. To elect directors for the ensuing year.
3. To appoint auditors of the Corporation for the ensuing year and to authorize the board of directors to fix their remuneration.
4. To transact such other business as may properly come before the Meeting or any adjournment thereof.


Each person who is a holder of Common Shares of record at the close of business on April 19, 1995 will be entitled to notice of, and to attend and vote at, the Meeting, provided that, to the extent such a shareholder transfers ownership of any of his shares subsequent to that date and the transferee of those shares establishes that he owns such shares and demands at any time before the Meeting, that his name be included in the list of shareholders entitled to vote at the Meeting, such transferee is entitled to vote such shares at the Meeting.

Shareholders who are unable to attend the Meeting in person and who wish to ensure that their shares will be voted are requested to date and sign the enclosed Form of Proxy, and to return it in the self-addressed envelope provided to The R-M Trust Company, 600, 333 - 7th Avenue, S.W., Calgary, Alberta, T2P 2Z3 by the close of business on the business day preceding the day of the Meeting or any adjournment thereof, or to deposit the completed proxy with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof, otherwise the instrument of proxy will be invalid.

DATED at the City of Calgary, in the Province of Alberta, this 13th day of April, 1995.

BY ORDER OF THE BOARD OF DIRECTORS

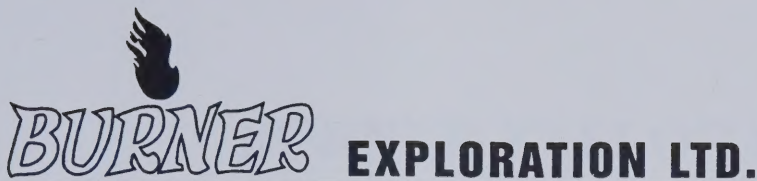
(Signed) Raymond Chiarastella  
President



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## REPORT TO SHAREHOLDERS

April 13, 1995

Burner Exploration Ltd., is pleased to report on the results of its 1994 Year End Financial's.

On August 11, 1994, Burner successfully closed an Exchange Offering with the issuance of 3,200,000 shares for gross proceeds of \$3,140,000. The Company currently (April 1995) has a total of 9,603,082 shares outstanding and 11,402,082 shares fully diluted.

In anticipation of lower gas prices, in July of 1994 the Company shifted its exploration efforts towards oil. In 1994 Burner participated in seven wells and one recompletion. Of the seven wells, four wells were dry and abandoned and three are producing oil wells. The recompleted well was also abandoned. The most significant oil well was Burner's West Eagle oil producer, which is currently producing an average of 45 bbls/d from the Montney Formation and will soon be commingled with the Belloy Formation which previously produced in the range of 35 bbls/d. Burner currently holds a 65% working interest in this well.

Burner was successful in acquiring over one thousand kilometres of seismic data concentrated over four areas within Alberta and British Columbia. To date this seismic has generated three drilling prospects (excluding Grassy) with significant oil reserve and production potential. These prospects are on Burner held lands and will be drilled mid 1995.

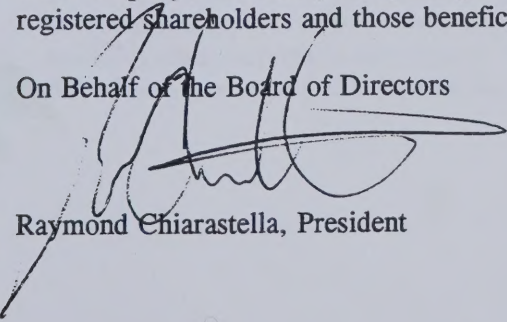
Ninety percent of Burner's 1994 production revenue was derived from gas at an average price of \$1.92/mcf. Over 50% of Burner's production is derived from the Grassy a-75-D/94-G-7 well, which continues to produce slightly over 3 mmcf/d (gross) and 1.5 mmcf/d (net) at a well head price of over \$2/mcf. On other encouraging news at Grassy, Burner and its 50% partner, have agreed to drill an offset well after spring break-up. This new location was generated from a recently conducted seismic program over the known structure extending it to the new location. The 50% Grassy land and proposed well is situated one and a half miles to the west of Numac's recently announced two discovery wells.

Within the next two months, Burner intends to drill a Glauconitic channel well identified on 50% Burner held lands in southern Alberta. The Company has also committed as to 25% BPO and 12.5% APO in a Leduc test at Joffre. Both wells will be drilled prior to the Grassy well.

Burner remained in a healthy cash position at 94' year end with \$1,689,998.00 cash and term deposits and no debt. The Company also has an undrawn credit facility of \$500,000.00.

The Company is currently completing its 95' first quarter report, which should be forwarded shortly to registered shareholders and those beneficial shareholders who have requested interim reports.

On Behalf of the Board of Directors



Raymond Chiarastella, President





# **BURNER EXPLORATION LTD.**

## **INFORMATION CIRCULAR**

**for the Annual Meeting of Shareholders  
to be held on May 25, 1995**

### **MANAGEMENT SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation of proxies by the management of Burner Exploration Ltd. (the "Corporation") for the Annual Meeting of shareholders of the Corporation (the "Meeting") to be held in the Main Boardroom of Code Hunter Wittmann, Barristers & Solicitors, 1400, 700 - 2nd Street, S.W., Calgary, Alberta on Thursday, May 25, 1995 at the hour of 3:00 p.m. (Calgary time) and at any adjournment thereof, for the purposes set forth in the accompanying Notice of Meeting. The solicitation is intended to be primarily by mail but may also be made by telephone, facsimile or other means of communication by the directors and officers of the Corporation. The cost of solicitation will be borne by the Corporation. Except where otherwise stated, the information contained herein is given as of April 13, 1995.

### **APPOINTMENT AND REVOCATION OF PROXIES**

Each of the persons named in the enclosed form of proxy is an officer of the Corporation. A shareholder submitting a proxy shall have the right to appoint a person to represent him or it at the Meeting other than the persons designated in the form of proxy furnished by the Corporation. To exercise this right the shareholder should insert the name of the desired representative, who need not be a shareholder, in the blank space provided in the proxy and strike out the other names.

The completed proxy must be deposited at the offices of The R-M Trust Company, 600, 333 - 7th Avenue, S.W., Calgary, Alberta, T2P 2Z3, not later than the close of business on the business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof, otherwise the instrument of proxy will be invalid.

The form of proxy must be in writing and shall be executed by the shareholder or his attorney authorized in writing and shall cease to be valid one year from its date.

An instrument of proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney in writing and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or adjournment thereof, and upon any of such deposits, the proxy is revoked.

### EXERCISE OF DISCRETION BY PROXY

The shares represented by a proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. In the absence of such choice being specified, the shares will be voted in favour of the matters to be voted on.

The enclosed form of proxy confers discretionary authority on the person named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this Information Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation has fixed April 19, 1995 as the record date (the "Record Date") for the purpose of determining shareholders entitled to receive notice of the Meeting. A person named on the list of holders of Common Shares prepared at the close of business on the Record Date will be entitled to vote the shares then registered in his name, except to the extent that (1) the holder has transferred the ownership of any of his shares after the Record Date, and (2) the transferee of those shares produces properly endorsed share certificates, or otherwise establishes that he owns the shares and demands at any time before the Meeting that his name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his shares at the Meeting.

The Corporation has authorized capital of an unlimited number of Common Shares, an unlimited number of Class A Preferred Shares (issuable in series) and an unlimited number of Class B Preferred Shares (issuable in series). As at April 13, 1995, the Corporation had issued and outstanding 9,603,082 Common Shares, each Common Share entitling the holder thereof to one vote in respect of each share held.

The following table sets forth the only persons who are known by the Corporation to own beneficially, directly or indirectly, or exercise control or direction over, more than 10% of the voting rights attached to voting securities of the Corporation.

<u>Name</u>	<u>Number of Common Shares</u>	<u>Percentage of Outstanding Common Shares</u>
Edward James <sup>(1)</sup>	1,173,183	12.2
Raj Agrawal <sup>(2)</sup>	1,170,437	12.2

Notes:

- (1) Includes the Common Shares held by Edward James directly and those held by E.A. James Gas & Oil Ltd.
- (2) Includes the Common Shares held by Raj Agrawal directly and those held by Jameen Resources Ltd.



## BUSINESS OF THE MEETING

The Meeting has been called to: (1) receive the financial statements of the Corporation for the year ended December 31, 1994 and the auditors' report thereon; (2) elect directors for the ensuing year; and (3) appoint auditors for the Corporation for the ensuing year and authorize the board of directors to fix their remuneration.

### **Financial Statements**

The financial statements of the Corporation for the year ended December 31, 1994 and the auditors' report thereon will be placed before the shareholders at the Meeting for their consideration. A copy of the financial statements is attached as Appendix "A" to this Information Circular.

### **Election of Directors**

The articles of the Corporation provide that the Corporation shall have a minimum of three and a maximum of fifteen directors. At present, the board of directors consists of four persons. The term of office of such directors expires at the Meeting. It is proposed that four persons be elected as directors of the Corporation at the Meeting, to serve until the next annual meeting of shareholders. The persons designated in the enclosed form of proxy, unless otherwise instructed, intend to vote for the election of the nominees set forth below. Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

Information is given below with respect to each nominee for election as a director.

<u>Name, Position held with the Corporation and Municipality of Residence</u>	<u>Number of Common Shares Beneficially Owned or Controlled<sup>(2)</sup></u>	<u>Principal Occupation</u>	<u>Date Became a Director</u>
Raymond Chiarastella <sup>(1)</sup> President, CEO, CFO and Director Calgary, Alberta	565,116	President of the Corporation	July 1, 1993
Edward James Director Calgary, Albert	1,173,183 <sup>(3)</sup>	Vice-President of the Corporation	July 1, 1993
Raj Agrawal <sup>(1)</sup> Director Calgary, Alberta	1,170,437 <sup>(4)</sup>	Consulting Petroleum Engineer	July 1, 1993
Clare Rhyasen <sup>(1)</sup> Director Calgary, Alberta	3,125	Vice-President of Business and Finance, Calgary Flames Hockey Club	November 23, 1993

#### Notes:

- (1) Members of the Audit Committee of the Corporation.
- (2) The information as to the number of Common Shares beneficially owned or controlled by the nominees, not being within the knowledge of the Corporation, has been furnished to the Corporation by the individual nominees.

- (3) Includes certain Common Shares controlled by Mr. James and held by E.A. James Gas & Oil Ltd.
- (4) Includes certain Common Shares controlled by Mr. Agrawal and held by Jameen Resources Ltd.

### Appointment of Auditors

The management designees, if named as proxy, intend to vote for the reappointment of Peat Marwick Thorne, Chartered Accountants, Calgary, Alberta, as auditors of the Corporation, to hold office until the next annual meeting of the Corporation or until their successors are duly elected or appointed and to authorize the board of directors to fix their remuneration. Peat Marwick Thorne, Chartered Accountants, were first appointed auditors of the Corporation on November 23, 1993.

### EXECUTIVE COMPENSATION

The Corporation has three executive officers. The aggregate compensation paid by the Corporation to its only full time executive officer for services during the fiscal year ended December 31, 1994 was \$48,000.

The aggregate of all other compensation not described above paid or payable to such executive officer in the form of personal benefits did not exceed 10% of cash compensation for the fiscal year ended December 31, 1994.

No pension or retirement benefits are payable to officers or directors.

Directors of the Corporation have not been paid fees or salary in their capacity as directors to date.

Mr. Edward James, Vice-President of the Corporation, is the principal of E.A. James Gas & Oil Ltd., which from time to time receives consulting fees for geological services.

Mr. Jeffrey E. Dyck, Secretary of the Corporation, is an associate with the law firm of Code Hunter Wittmann, which from time to time receives fees for legal services.

In the event of the sale by the Corporation of all or substantially all of the property and assets of the Corporation, or the Corporation's Common Shareholders receive a "takeover" bid as defined in the *Securities Act* (Alberta) pursuant to which the offeror, if successful, would beneficially own in excess of 50% of the outstanding Common Shares of the Corporation all the outstanding stock options held by directors, officers and employees would become fully vested and exercisable for periods of thirty (30) and ten (10) days, respectively. In the event that the President of the Corporation is terminated or tenders his resignation as a result of either of the events referred to in this paragraph, he is entitled to receive nine months salary.

On November 23, 1993 the directors and shareholders of the Corporation authorized a stock option plan for directors, officers and key employees of the Corporation (the "Plan"). Pursuant to the Plan the directors of the Corporation may grant to directors, officers and key employees options to purchase Common Shares. The purchase price for any optioned Common Shares shall be fixed by the directors, subject to the limitations of any stock exchange on which the Common Shares are listed. The maximum term of any option is five years. The options are non-assignable and non-transferable. The number of Common Shares reserved from time to time for options may not be more than 10% of the then issued and outstanding Common Shares of the Corporation. In the event the holder of an option ceases to be a director, officer or employee of the Corporation the option will expire thirty (30) days thereafter.



The following table sets forth the options to purchase Common Shares which are outstanding as at April 13, 1995:

Date Option Granted	Number of Common Shares <sup>(2)</sup> Subject to Option	Exercise Price per Share	Closing Price on Day Prior to Grant <sup>(1)</sup>	Exercisable to	Market Value of Options <sup>(3)</sup>
Nov. 24/93	160,000	\$0.40	N/A	Nov. 24/98	\$40,000
Nov. 24/93	120,000	\$0.40	N/A	Nov. 24/98	\$30,000
Nov. 24/93	120,000	\$0.40	N/A	Nov. 24/98	\$30,000
Nov. 24/93	100,000	\$0.40	N/A	Nov. 24/98	\$25,000
Nov. 24/93	14,000	\$0.40	N/A	Nov. 24/98	\$3,500
Aug. 16/94	147,000	\$1.00	\$1.00	Aug. 16/99	\$0.00
Aug. 16/94	129,000	\$1.00	\$1.00	Aug. 16/99	\$0.00
Aug. 16/94	102,000	\$1.00	\$1.00	Aug. 16/99	\$0.00
Aug. 16/94	18,000	\$1.00	\$1.00	Aug. 16/99	\$0.00
Aug. 16/94	11,000	\$1.00	\$1.00	Aug. 16/99	\$0.00
Dec. 20/94	18,000	\$0.90	0.90	Dec. 20/99	\$0.00
Dec. 20/94	10,000	\$0.90	0.90	Dec. 20/99	\$0.00
	949,000				\$128,500

Notes:

- (1) The Corporation's shares were not listed on any exchange on November 24, 1993.
- (2) Two executive officers have been granted options to purchase a total of 556,000 of the Common Shares set forth in the table above. Three employees or consultants have been granted options to purchase a total of 43,000 Common Shares set forth in the table above. The remaining options were granted to three directors of the Corporation.
- (3) Based on the difference between the closing price of \$0.65 per Common Share on The Alberta Stock Exchange on April 12, 1995 and the exercise price of the option multiplied by the number of shares under option.

### INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

There exists no indebtedness of the directors or officers of the Corporation, or any of their associates or affiliates, to the Corporation, except for \$30,000 owed to the Corporation by its President. The Corporation advanced the \$30,000 to its President on August 16, 1994, by way of an interest free loan payable on demand. The loan was made to assist the President in respect to a previous purchase of shares of the Corporation.

### OTHER INFORMATION

Under National Policy 41, adopted by the Canadian Securities Administrators, a person or company who wishes to receive interim financial statements from the Corporation must deliver a written request for such material to the Corporation, together with a signed statement that the person or company is the owner of securities (other than debt instruments) of the Corporation. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed return card, together with the completed form of proxy, in the addressed envelope provided to The R-M Trust Company, 600, 333 - 7th Avenue, S.W., Calgary, Alberta, T2P 2Z3. The Corporation will maintain a supplemental mailing list of persons and companies entitled to receive interim financial statements.

### DIRECTORS' APPROVAL

The contents and the sending of this Information Circular have been approved by the directors.

CERTIFICATE

The foregoing contains no untrue statement of material fact and does not omit to state a material fact that is required to be stated or that is necessary to be stated to make a statement not misleading in light of the circumstances in which it was made.

Dated at the City of Calgary, in the Province of Alberta, this 13th day of April, 1995.

(signed) "Raymond Chiarastella"  
Chief Executive Officer and  
Chief Financial Officer





APPENDIX "A"

Financial Statements of

**BURNER EXPLORATION LTD.**

Year ended December 31, 1994 and period from  
date of incorporation, June 3, 1993 to December 31, 1993

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Burner Exploration Ltd. as at December 31, 1994 and 1993 and the statements of earnings and retained earnings and changes in financial position for the year ended December 31, 1994 and period from date of incorporation, June 3, 1993 to December 31, 1993. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1994 and 1993 and the results of its operations and the changes in its financial position for the year ended December 31, 1994 and period from date of incorporation, June 3, 1993 to December 31, 1993 in accordance with generally accepted accounting principles.

*KAMG Pat Marwick Thorne*

Chartered Accountants

Calgary, Canada  
March 31, 1995



# BURNER EXPLORATION LTD.

## Balance Sheets

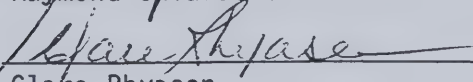
	December 31, 1994	December 31, 1993
<b>Assets</b>		
Current assets:		
Cash	\$ 62,308	\$ 127,143
Term deposits	1,627,690	800,000
Accounts receivable	803,688	57,961
	<u>2,493,686</u>	<u>985,104</u>
Capital assets (note 3)	2,247,245	691,036
	<u>\$ 4,740,931</u>	<u>\$ 1,676,140</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 401,281	\$ 107,198
Income taxes payable	192,426	—
	<u>593,707</u>	<u>107,198</u>
Future site restoration and abandonment	18,000	1,577
Shareholders' equity:		
Share capital (note 4)	4,037,671	1,566,960
Retained earnings	91,553	405
	<u>4,129,224</u>	<u>1,567,365</u>
	<u>\$ 4,740,931</u>	<u>\$ 1,676,140</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
Raymond Chiarastella

Director

  
Clare Rhyasen

Director

# BURNER EXPLORATION LTD.

## Statements of Earnings and Retained Earnings

	Year ended December 31, 1994	Period from date of incorporation, June 3, 1993 to December 31, 1993
Income:		
Oil and gas	\$ 1,378,835	\$ 31,281
Term deposit interest	52,286	44
	<u>1,431,121</u>	<u>31,325</u>
Expenses:		
Operating	376,579	6,576
Royalties	205,717	4,793
General and administrative	185,845	10,583
Depletion and depreciation	324,983	8,968
	<u>1,093,124</u>	<u>30,920</u>
Earnings before income taxes	337,997	405
Income taxes (note 6):		
Current	225,963	—
Deferred	9,300	—
	<u>235,263</u>	<u>—</u>
Net income	102,734	405
Retained earnings, beginning of period	405	—
Dividends paid on Class A preferred shares	(11,586)	—
Retained earnings, end of period	<u>\$ 91,553</u>	<u>\$ 405</u>
Income per common share	<u>\$ 0.01</u>	<u>\$ —</u>

See accompanying notes to financial statements.



# BURNER EXPLORATION LTD.

## Statements of Changes in Financial Position

	Year ended December 31, 1994	Period from date of incorporation, June 3, 1993 to December 31, 1993
Cash provided by (used in):		
Operations:		
Net income	\$ 102,734	\$ 405
Items not involving cash:		
Depletion and depreciation	324,983	8,968
Deferred income taxes	9,300	—
	437,017	9,373
Net change in non-cash working capital items	(259,218)	49,237
	177,799	58,610
Financing:		
Issue of shares for cash, net of issue costs	3,263,499	1,006,135
Issue of shares for petroleum and natural gas properties	280,702	580,000
Redemption of preferred shares	(232,000)	—
Dividends paid on Class A preferred shares	(11,586)	—
	3,300,615	1,586,135
Investments:		
Purchase of capital assets	(3,045,559)	(717,602)
Proceeds from sale of capital assets	330,000	—
	(2,715,559)	(717,602)
Increase in cash	762,855	927,143
Cash, beginning of period	927,143	—
Cash, end of period	\$ 1,689,998	\$ 927,143

Cash consists of cash and term deposits.

See accompanying notes to financial statements.

# BURNER EXPLORATION LTD.

## Notes to Financial Statements

Year ended December 31, 1994 and period from date of incorporation, June 3, 1993 to December 31, 1993

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### 1. Incorporation:

The Company was incorporated as 564984 Alberta Inc. under the laws of the Province of Alberta on June 3, 1993 and changed its name to Burner Exploration Ltd. on June 30, 1993. The Company commenced operations in November 1993.

### 2. Significant accounting policies:

#### (a) Capital assets:

The Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploring for and developing petroleum and natural gas properties and related reserves are capitalized into a single Canadian cost centre. Such costs include land acquisition costs, costs of drilling both productive and non-productive wells, geological and geophysical expenses and well equipment.

Gains or losses on the sale or disposition of petroleum and natural gas properties are not ordinarily recognized except under circumstances which result in a major revision of depletion rates.

Capitalized costs are depleted using the unit-of-production method based on estimated proven reserves of petroleum and natural gas before royalties as determined by an independent engineer. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude petroleum based on the approximate relative energy content.

The Company applies a "ceiling test" to capitalized costs to ensure that such costs do not exceed future net revenues from estimated production of proven reserves, using prices and costs in effect at the Company's year end. Future net revenues are calculated after deducting general and administrative costs, financing costs, income taxes and future site restoration and abandonment costs.

Substantially all of the Company's exploration and production activities are conducted jointly with others and, accordingly, the accounts reflect only the Company's proportionate interest in such activities.

Depreciation of office furniture and equipment is calculated using the declining balance method at the following annual rates:

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Office furniture	20%
Computer equipment	30%

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# BURNER EXPLORATION LTD.

Notes to Financial Statements, Page 2

Year ended December 31, 1994 and period from date of incorporation, June 3, 1993 to December 31, 1993

## 2. Significant accounting policies (continued):

### (b) Future site restoration and abandonment:

Estimated future site restoration and abandonment costs are provided for over the life of the proved reserves on a unit-of-production basis. Costs are estimated each year by management based on current regulations, costs, technology and industry standards. The annual charge is included in depletion and actual removal and site restoration expenditures are charged to the accumulated provision account as incurred.

### (c) Flow-through shares:

The Company finances a portion of its exploration and development program with flow-through share issues. Under this type of financing arrangement shares are issued and the resultant proceeds are used to fund exploration and development work within a defined time period.

Income tax deductions on the expenditures made are renounced to the shareholders. Accordingly, petroleum and natural gas properties and share capital are reduced by the estimated benefit of renounced tax deductions when expenditures are incurred.

### (d) Per share amounts:

Per share amounts are calculated using the weighted average number of shares outstanding during the year. Fully diluted earnings per share which would reflect the exercise of options and warrants as if they had taken place at the beginning of the year, are not disclosed as the effect is anti-dilutive.

## 3. Capital assets:

December 31, 1994	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	\$ 2,539,180	\$ 313,142	\$ 2,226,038
Office furniture and equipment	24,016	2,809	21,207
	\$ 2,563,196	\$ 315,951	\$ 2,247,245

December 31, 1993	Cost	Accumulated depletion	Net book value
Petroleum and natural gas properties	\$ 698,427	\$ 7,391	\$ 691,036

During 1994, the Company capitalized overhead charges of \$nil (1993 - \$9,814). The depletion calculation has excluded undeveloped properties of \$658,000 in 1994 (1993 - \$nil).

# BURNER EXPLORATION LTD.

Notes to Financial Statements, Page 3

Year ended December 31, 1994 and period from date of incorporation, June 3, 1993 to December 31, 1993

## 4. Share capital:

Authorized:

- Unlimited common shares
- Unlimited Class A preferred shares
- Unlimited Class B preferred shares

Issued:

	1994		1993	
	Number of Shares	Amount	Number of Shares	Amount
Common shares:				
Balance, beginning of period	5,140,957	\$ 1,334,960	—	\$ —
Shares issued for cash	3,923,125	3,474,407	3,999,973	1,140,208
Shares issued for property	529,000	280,702	1,140,984	348,000
Share issue costs, net of taxes of \$42,837	—	(201,608)	—	(134,073)
Tax benefits renounced to shareholders	—	(850,790)	—	(19,175)
Balance, end of period	9,593,082	4,037,671	5,140,957	1,334,960
Class A preferred shares:				
Balance, beginning of period	232,000	232,000	—	—
Shares issued for property			232,000	232,000
Redemption of shares	(232,000)	(232,000)	—	—
Balance, end of period	—	—	232,000	232,000
Total, end of period		\$ 4,037,671		\$ 1,566,960

(a) On November 26, 1993, the Company filed Articles of Amendment to re-organize the share capital into an unlimited number of common shares, Class A preferred shares and Class B preferred shares.

(b) Warrants outstanding:

At December 31, 1993, 100,000 Class A warrants were issued and outstanding which entitle the holder to purchase one common share of the Company at an exercise price of \$0.54 per share until December 31, 1996. All of the Class A warrants were exercised during 1994.

At December 31, 1993, 625,000 Class B warrants were issued and outstanding which entitle the holder to purchase one common share of the Company at an exercise price of \$0.45 per share until July 1, 1994. All of the Class B warrants were exercised during 1994.

At December 31, 1994, 250,000 (1993 - 250,000) Agent's warrants were issued and outstanding which entitled the holder to purchase one common share of the Company at an exercise price of \$0.45 per share until June 30, 1996.



# BURNER EXPLORATION LTD.

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Year ended December 31, 1994 and period from date of incorporation, June 3, 1993 to December 31, 1993

## 4. Share capital (continued):

### (b) Warrants outstanding (continued):

At December 31, 1994, 600,000 Class 1 warrants were issued and outstanding which entitle the holder to purchase one common share of the Company at an exercise price of \$1.15 until August 11, 1995 or until the 30th day following notification to the Class 1 warrant holders that the current market price of a common share of the Company has exceeded \$2.00 per share.

### (c) Share options:

At December 31, 1994 options were outstanding for the issue of 949,000 common shares to directors, officers and employees of the Company under an incentive stock option plan. The options which vest as to one-third on each of the first, second and third anniversary dates of grant are as follows:

Number of Shares	Expiry Date	Exercise Price
514,000	November 1998	\$ 0.40
407,000	August 1999	\$ 1.00
28,000	December 1999	\$ 0.90

## 5. Related party transactions:

- (a) On November 11, 1993, the Company entered into a Farmout Agreement with a director, a company owned by a director and a company owned by the wife of a director. The Company earned an undivided working interest equal to 40% of the farmor's interest by spending \$48,259 during 1994.
- (b) On November 25, 1993, the Company entered into agreements to purchase petroleum and natural gas interests from a company owned by a director and a company owned by the wife of a director, in exchange for the issue by the Company of 1,140,984 common shares at an ascribed aggregate value of \$348,000, 232,000 Class A preferred shares at an ascribed aggregate value of \$232,000 and 100,000 Class A warrants without ascribed value. The warrants entitled the holder to purchase one common share of the Company until the close of business on December 31, 1996 for an exercise price of \$0.54. Dividends of \$11,586 were paid to the Class A preferred shareholders, the Class A preferred shares were redeemed for cash of \$232,000 and all of the Class A warrants were exercised during 1994.
- (c) Included in accounts payable at December 31, 1994 is an amount of \$10,700 (1993 - \$nil) due to a company controlled by a director of the Company for consulting services rendered in the normal course of business during the year.
- (d) Included in accounts receivable at December 31, 1994 is an amount of \$30,000 advanced to a director of the Company. The loan is interest free and is repayable on demand.

# BURNER EXPLORATION LTD.

Notes to Financial Statements, Page 5

Year ended December 31, 1994 and period from date of incorporation, June 3, 1993 to December 31, 1993

## 6. Income taxes:

The provision for income taxes differs from the expected amount calculated by applying the combined Federal and Provincial corporate tax rate to earnings before income taxes. This difference results from the following items:

	1994	1993
Computed "expected" income tax expense	\$ 149,868	\$ 179
Resource allowance	(69,942)	(2,460)
Crown royalties	79,596	—
Alberta Royalty Tax Credit	(19,967)	—
Non-tax base depletion	92,671	—
Non-deductible items	4,613	705
Benefit of tax loss carryforward not recognized	—	1,576
Tax losses utilized	(1,576)	—
	\$ 235,263	\$ —

At December 31, 1994 the Company has \$1,576,000 (1993 - \$507,000) of petroleum and natural gas properties which have no income tax basis as a result of acquisitions without tax basis and renouncements to flow-through share investors.

## 7. Bank loan:

The Company has a \$500,000 loan facility with a bank of which \$nil was drawn down at year-end. The facility is secured by a demand debenture with a fixed charge over certain properties and a floating charge over all of the Company's properties, assets and undertakings.